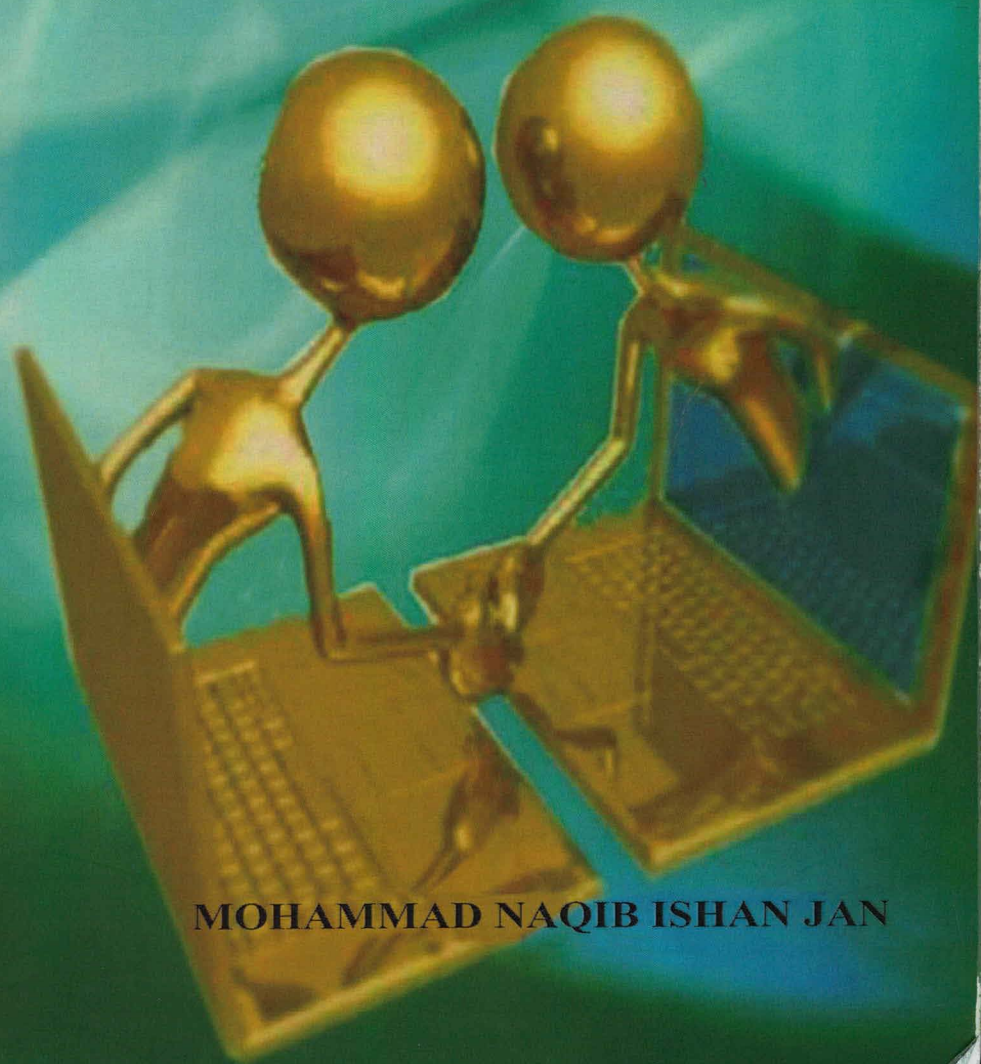


LAW AND COMMERCE : THE MALAYSIAN PERSPECTIVE



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LAW AND COMMERCE: THE MALAYSIAN PERSPECTIVE

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CHAPTER 23

FRANCHISE LAW IN MALAYSIA

by

ZUHAIRAH ARIFF BT. ABD. GHADAS

Generally, a franchise business is when a person, either natural or artificial granted a right to another person, either natural or artificial person to market the former's goods or services within a certain territory or location. The history of franchising was traced in the 1850's when Isaac Singer invented the sewing machine.¹ In order to distribute his machines outside of his geographical area, and also provide training to customers, Singer began selling licenses to entrepreneurs in different parts of the country. In 1955, Ray Kroc took over a small chain of food franchises and built it into today's most successful fast food franchise in the world, now known as McDonald's.² The example of business format franchising are: restaurant - KFC, McDonald's and Pizza Hutt, education- Kumon and Smart Readers, retail- Blockbuster Video and the Athlete's Foot, Convenience shop - 7-Eleven and Family Mart. Even though there is little economic difference between traditional and business-format franchising in term of type of agreement, type of support provided and control by franchisor, the business-format franchising has grown much faster than product distribution/traditional franchising.³

Franchising is widely known as a mechanism to expand business whereby a business allows another business to use its